

FROM P. RON GANDOLFO			CONTROL NO. IG - 83
SUBJECT AND DATE P2cW2-03-0490-31907 C-420916-01 Hamilton Township Municipal Authority			DATE REC'D September 29, 1983
			DUE DATE November 30, 1983
REFERRED (1) R. Contrisciano	(2)	(3)	(4)
DATE 9/29/83			
REPLY SENT TO			DATE RELEASED
REMARKS PREPARE RESPONSE FOR SIGNATURE OF BRANCH CHIEF PLEASE PROVIDE A COPY OF RESPONSE TO DARLENE BROWN			ACKNOWLEDGED - DATE <input type="checkbox"/>
			NO ANSWER NEEDED
			<input type="checkbox"/> (Explain in remarks)

EPA Form 5180-1 (6-72)
REPLACES FWPCA FORM 72 AND
HEW-73 WHICH MAY NOT BE USED.

(Remove this copy only, do not separate remainder.)

MAIL CONTROL SCHEDULE



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION III

6TH AND WALNUT STREETS
PHILADELPHIA, PENNSYLVANIA 19106
OFFICE OF THE INSPECTOR GENERAL

September 29, 1983

SUBJECT: Audit Report P2cW2-03-0490-31907
Report of Final Audit of
Construction Grant Number C-420916-01
Hamilton Township Municipal Authority
Chambersburg, Pennsylvania

FROM: *P. Ronald Gandolfo*
P. Ronald Gandolfo
Divisional Inspector General for Audit

TO: Thomas P. Eichler
Regional Administrator

Transmitted is a copy of the subject report. We have no objection to the further release of this report at the discretion of the addressee.

Your office is designated "Action Office" for this report in accordance with EPA Order No. 2750.2A. Accordingly, report on action taken should be sent to this office within 120 days. If you have any questions concerning this report contact Mr. P. Ronald Gandolfo, Divisional Inspector General for Audits, Mid Atlantic Division at 597-0497.

Enclosure

cc: Greene A. Jones ✓
Richard Pepino

ENVIRONMENTAL PROTECTION AGENCY

CONSTRUCTION GRANT PROJECT

REPORT OF FINAL AUDIT

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
CHAMBERSBURG, PENNSYLVANIA

GRANT NUMBER C-420916-01

FOR THE PERIOD MAY 24, 1977 TO AUGUST 1, 1982

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
CHAMBERSBURG, PENNSYLVANIA
Grant Number C-420916-01
FINAL AUDIT

C O N T E N T S

	Page
AUDITORS' REPORT	1
Statement of Costs Claimed and EPA Eligible Costs - Exhibit A	2
Schedule of Costs Claimed, Accepted, Questioned and Set Aside - Schedule A	3
Notes to Schedule A	4-10
Summary of Grantee Comments and Auditor Response to Comments	11-15
Grantee Comments	

EXHIBIT A

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant Number C-420916-01
Statement of Costs Claimed and EPA Eligible Costs
For the Period May 24, 1977 to August 1, 1982
FINAL AUDIT

	Total Costs Claimed
Administrative	\$ 121,700
Legal and fiscal	17,800
Architectural engineering basic fees	296,500
Other architectural engineering fees	194,600
Project inspection fees	343,500
Construction	<u>5,876,500</u>
Total	<u>\$6,850,600</u>

Construction Grant Number C-420916-01 awarded to the Hamilton Township Municipal Authority of Chambersburg, Pennsylvania under Public Law 92-500 provided for 75% Federal participation in construction of 8" thru 14" gravity sewers, 4" thru 8" forcemains, five pumping stations, and appurtenances. At the completion of audit field work on January 19, 1983, construction was 100% complete on the project.

We noted that compensation for engineering services was based upon the per diem and fee curve methods of contracting. The use of the fee curve and profit resulting solely therefrom has been accepted because, at the time the contractual arrangement was made, this method of contracting was not prohibited and was in accordance with accepted industry practices. The fee curve method of contracting is now prohibited by Appendix D to Subpart E of 40 CFR 35, dated December 17, 1975.

See Schedule A for summary of costs claimed, accepted, questioned and set aside.

SCHEDULE A

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant Number C-420916-01
Schedule of Costs Claimed, Accepted, Questioned and Set Aside
For the Period May 24, 1977 to August 1, 1982
FINAL AUDIT

	----- EPA Eligible Costs -----			
	Claimed	Accepted	Questioned	Set Aside Notes
Administrative	\$ 121,700	\$ 1,933	\$ 76,682	\$ 43,085 1
Legal and fiscal	17,800	15,550	2,250	- 2
Architectural engineering basic fees	296,500	296,500	-	- -
Other architectural engineering fees	194,600	102,509	90,183	1,908 3
Project inspection fees	343,500	133,886	209,614	- 4
Construction	<u>5,876,500</u>	<u>5,592,585</u>	<u>283,915</u>	<u>-</u> 5
Total costs	<u>\$6,850,600</u>	<u>\$6,142,963</u>	<u>\$ 662,644</u>	<u>\$ 44,993</u>

Determination of Amount
Due EPA Based on Audit

Federal participation (75% of accepted eligible costs with a maximum of \$4,841,020)	<u>\$4,841,020</u>	\$4,607,222
Less EPA payments made through September 16, 1982		<u>4,841,020</u>
Balance due EPA		<u>\$ 233,798*</u>

* This amount should not be construed as being the final determination of the balance due EPA. The amount may vary depending upon the resolution by EPA of the questioned and set aside costs of \$707,637.

See Notes to Schedule A.

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant Number C-420916-01
Notes to Schedule A
FINAL AUDIT

Note 1. Administrative

- a) The grantee claimed \$4,070 for the following equipment purchases:

I.B.M. Typewriter	\$ 795
Desk and chair	336
Installation of communication equipment	107
Install outside speakers	87
Tan storage cabinet	115
Radio and accoterments	780
Minolta copier	1,850
	<u>\$ 4,070</u>

These purchase were not specifically identified by the grantee and approved in advance by EPA as required by Chapter VII-13 of the Handbook of Procedures. In addition, the equipment appears to be for normal operations and not eligible for Federal participation. Chapter VII-13 of the Handbook of Procedures allows these costs if they are identified by the grantee and approved in advance by EPA. The cost is set aside.

\$ 4,070

- b) The grantee claimed \$3,365 in costs associated with the preparation of financial data, sewage billings and applications, EPA grant applications, advertising, telephone, etc. These costs are functions of general government are are unallowable. In accordance, with the Handbook of Procedures, Chapter VII-6, the costs associated with functions of general government are unallowable.

3,365

- c) The grantee claimed \$39,015 for costs associated with pole and power line relocations. These costs associated with removal, relocation, and/or replacement of utilities (water, electricity, etc.) are not allowable where it does not involve loss of a property right by the utility per VII-11 of the Handbook. The cost is set aside.

39,015

- d) The grantee claimed \$73,024 in salary, operating and insurance costs. Prior written approval for force account labor was not obtained, as required. The grantee used their own employees to perform part of the project work. A grantee must obtain prior written approval from the Regional Administrator to use force account labor in excess of \$25,000. In addition, the Part B amount did not include an amount for this expenditure.

73,024

20,894.00 Pay
52,130.00 for Elec

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant Number C-420916-01
Notes to Schedule A
FINAL AUDIT

Note 1. Administrative (Continued)

- e) We questioned \$13 as costs claimed over the amount incurred due to rounding off or mathematical error by the grantee.

\$ 13

Questioned and set aside costs

\$119,487

Since a portion of the construction costs are being questioned as described in Note 5, any accepted costs incurred in connection with the construction project must be pro-rated based on the ratio of construction costs accepted to total construction costs incurred. This ratio is determined as follows:

This Remains same.

$$\frac{\text{Construction Costs Accepted}}{\text{Total Construction Costs Incurred}} = \frac{\$5,592,585}{\$6,402,157} = .8736$$

The amount of accepted administrative costs is then calculated as follows:

yes.

Administrative cost claimed	\$121,700	<i>121,700</i>
Less: Questioned and set aside costs	<u>119,487</u>	<i>- 55,508</i>
Accepted costs	\$ 2,213	<i>66,192</i>
Pro-ration factor	<u>.8736</u>	<i>x .8736</i>
Accepted costs	<u>\$ 1,933</u>	<i><u>57,825</u></i>

Costs questioned \$76,682 is the difference between costs claimed \$121,700 costs accepted \$1,933, and set aside costs of \$43,085 (\$4,070 + \$39,015).

Note 2. Legal and Fiscal Cost

The amount of legal and fiscal cost accepted is computed as in Note

1.

yes.

Legal and fiscal costs claimed	\$ 17,800	<i>23,050.00</i>
Pro-ration factor	<u>.8736</u>	<i>x .8736</i>
Accepted cost	<u>\$ 15,550</u>	<i>20,136.48</i>

Cost questioned \$2,250 is the difference between costs claimed of \$17,800 and costs accepted of \$15,550.

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant Number C-420916-01
Notes to Schedule A
FINAL AUDIT

Note 3. Other Architectural Engineering Fees

Under other architectural engineering fees category we questioned and set aside the following items:

- a) Costs were questioned because the grantee paid the engineer based on engineering amended agreements of December 20, 1977 and July 26, 1978. The grant documents did not require the engineering fees to be amended nor was there evidence of change in the project scope after the grant award to justify an increase. We recalculated the following fees using the per diem rates of the October 22, 1971 agreement which was approved by EPA.

See Note 3

	Cost Incurred	Recalculated Amount	Questioned Cost	
Surveying	\$ 51,285	\$ 44,127	\$ 7,158	
I & I Analysis	364	252	112	\$ 7,270

- b) The grantee also requested reimbursement for the following engineering services involving:

EPA, Part B
Rules and regulations
EPA audit
Miscellaneous information for EPA
Change orders

Agree
\$ 1,790
1,682
16,020
8,266
54,114
\$ 81,872 → should pay 54,968
29,000
25,968

These costs are either basic functions of general government, disallowed by Page VII-6 of the Handbook of Procedures, part of basic fees, or not within the scope of the approved project and are therefore questioned.

\$ -81,872 26904

- c) We questioned \$709 as cost claimed over the amount incurred due to rounding off or mathematical error. Agree

709

- d) We set aside \$2,095 for specification and drawing credits. These costs were not supported by adequate source documentation showing that the grantee was given credit against any specific invoices. We therefore set aside these costs pending the grantee's submission of additional documentation.

2,095

Questioned costs

\$ 91,946

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant Number C-420916-01
Notes to Schedule A
FINAL AUDIT

Note 3. Other Architectural Engineering Fees (Continued)

- e) We set aside \$1,908 in fees for redesign and relocate services. Redesign and relocation costs are only allowed if they occur due to a change in Federal regulations per Page VII-8 of the Handbook of Procedures. We therefore set aside these costs pending the grantee's submission of documentation substantiating the actual Federal regulations involved.

\$ 1,908

Questioned and set aside costs \$ 93,854 ~~29768~~

The amount of other architectural engineering fees accepted is 93,854
computed as in Note 1. 7270
95,584

Total cost incurred	\$208,410
Less cost questioned and/or set aside	<u>93,854</u>
Eligible cost	<u>\$114,556</u>
Less acceptable at 100%	
Facilities Plan	\$ 10,993
O & M Manual	8,000
I & I	<u>252</u>
Pro-ratable costs	19,245
Pro-ration factor	<u>\$ 95,311</u>
Acceptable costs	.8736
Accepted at 100%	<u>\$ 83,264</u>
Accepted cost	<u>19,245</u>
	<u>\$102,509</u>
Total cost claimed	\$194,600
Less accepted cost	102,509
Less set aside cost	<u>1,908</u>
Questioned costs	<u>\$ 90,183</u>

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant Number C-420916-01
Notes to Schedule A
FINAL AUDIT

Note 4. Project Inspection Fees

Under project inspection fees we questioned the following items:

- a) Project inspection fees claimed in the amount of \$21,340 were incurred after July 12, 1980, the contract completion date set forth in the contract or as extended by approved contract change orders are unallowable for Federal Participation by Page VII-4 of the Handbook of Procedures and are therefore questioned. Actual cost incurred after July 12, 1980 was \$51,716 but the bulk of this cost was questioned in (b) below.

Remainder questioned
\$ 21,340

- b) We questioned \$188,240 in costs due to amended unapproved engineering agreements. These questioned costs were recalculated as in Note 3 (a).

188,240

<u>Cost Incurred</u>	<u>Acceptable per Recalculation</u>
\$343,466	\$155,226

- c) We questioned \$34 as cost claimed over the amount incurred due to rounding off or mathematical error.

no pay

34

Questioned project inspection fees

\$209,614

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant Number C-420916-01
Notes to Schedule A
FINAL AUDIT

Note 5. Construction Costs

- a) We have questioned \$267,405 of construction costs claimed under contract alternate number one for change orders that were approved by EPA for content only, not for Federal participation. The grantee claimed 100 percent of the change order, therefore we question the difference not approved as follows:

Change Order Number	Amount Claimed	Amount Approved	Questioned Cost	
5	\$ 2,915	\$ - -	\$ 2,915	} we concur
7	8,296	- -	8,296	
9	5,833	- -	5,833	
15	2,101	- -	2,101	
16	488	- -	488	
19	159,927	- -	159,927	
20	76,601	17,684	58,917	
22	6,833	- -	6,833	
23	82,777	60,062	22,715	o
			<u>\$268,025</u>	

Page 10 of 11 *22,714.00 matches on approval of this change order*

It should be noted that the DER decision on change orders #19 and 20 has been appealed to EPA by the Authority.

- b) We have questioned \$12,934 of construction costs claimed under contract 5B. Change orders number 11 and 18 were approved by EPA for content only, not for Federal participation as they constituted a change in scope and change order number 12 was only partial eligible. The grantee claimed the change orders in their entirety.
- 11, 12 AND 18*
11 = DECISION 68.53 Authority pending with
12 = DEC MADE A MISTAKE
18 = DEC 68.53 on their approval
add 68.53 to change order 12
18 = DEC 68.53 on their approval

Summary of contracts, alternate number 1 and 5B.

Note (a)	\$268,025	
Note (b)	<u>12,934</u>	\$280,959

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant Number C-420916-01
Notes to Schedule A
FINAL AUDIT

Note 5. Construction Costs (Continued)

- c) We have questioned \$2,950 of construction costs under contract 5B for costs which were never paid. The amount was deducted from payment to the contractor for unfinished tool board, items related to concrete and joint material Pump Station #1, trailer, and agreed delayed damages. The grantee can not request reimbursement for amounts never paid, therefore we question the entire amount.

\$ 2,950

- d) We have questioned \$6 as costs claimed over the amount incurred due to rounding off or mathematical error by the grantee

6

Total questioned costs

\$283,915

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant Number C-420916-01

SUMMARY OF GRANTEE COMMENTS AND AUDITOR RESPONSE TO COMMENTS
FINAL AUDIT

The grantee responded to the draft report in a letter dated July 22, 1983. A copy of this letter is attached.

The grantee's response and its effect on the contents of our report were discussed by telephone on several occasions with a representative of the consulting engineers. An exit conference was held on September 7, 1983. The grantee strongly disagrees with the report's recalculation of per diem invoices and continues to state that certain change orders costs should be eligible.

Administrative (Note 1)

- a) Equipment purchases were questioned since they were not identified and approved in advance by EPA.

Grantee Comment: Included in the Part B approval was administrative cost for start-up of the operations. This equipment was needed to perform these functions.

Auditor Response: We have now set aside these costs pending EPA's review of eligibility.

- b) Costs associated with financial data, sewage billings and grant applications were questioned.

Grantee Comment: They agree with audit report.

Auditor Response: The cost should be disallowed.

- c) Pole and power line relocations were questioned.

Grantee Comment: The cost was required as new equipment to service the new pumping stations. In addition, the costs were specifically addressed repeatedly to EPA who assured the grantee that the cost was eligible.

Auditor Response: If the cost was for new utility equipment, it should have been identified in advance and included in the Part B approval. We have now set aside these costs pending EPA's review of eligibility.

- d) \$73,024 in salary, operating and insurance costs were questioned due to lack of force account approval and not being included in the Part B approval.

Grantee Comment: The grantee agrees that \$52,130 of the above amount should be questioned. They contend that 50% of the manager's salary and benefits (8,381) should be allowed as start-up costs and \$12,513 of an authority employee's cost as force account inspector since it was more economical than using the consulting engineers.

Auditor Response: We continue to question all costs. Start-up costs are only eligible if provided by a firm of engineers, VII-17 of the Handbook of Procedures, and no documentation was submitted substantiating that the force account inspection was more economical.

- e) A recording error of \$13 occurred.

Grantee Comment: They agree with audit report.

Audit Response: The cost should be disallowed.

In addition, costs were questioned due to pro-rating.

Grantee Comment: Cost will change based on final accepted construction cost.

Auditor Response: Pro-ration percentage remains unchanged.

Legal and Fiscal Cost (Note 2)

We questioned \$2,500 in cost incurred in connection with meeting specific statutory requirements, \$300 due to a rounding error, and application of the pro-ration percentage.

Grantee Comment: The grantee provided clarification on the costs of their three lawyers which revealed that not all of the eligible costs were claimed.

Auditor Response: Our audit is of costs claimed and we cannot accept costs in excess of amount claimed. We have modified our report to accept all legal costs claimed after application of the pro-ration factor.

Other Architectural Engineering Fees (Note 3)

- a) We questioned the difference between fees calculated based on the original engineering agreement and those billed under amended agreements which increased the per diem rates.

Grantee Comment: The total costs approved by EPA in the Part B amendments for technical services were based upon these amended agreements. To require work performed in 1979 to 1982 to be based upon 1971 rates is unfair, unreasonable and inconsistent.

Auditor Response: Without an increase in proposed services to substantiate an increase in fees and because the grant conditions did not require a renegotiation of the engineer's agreement, we must continue to question costs based upon the 1971 agreement.

- b) Costs claimed for the following services were questioned:

EPA grant, Part B	\$ 1,790
Rules and regulations	1,682
EPA audit	16,020
Miscellaneous information	
for EPA	8,266
Change orders	54,114
	<u>\$ 81,872</u>

Grantee Comment: They agree with questioning the cost for EPA, Part B work. The costs for Rules and Regulations and Miscellaneous Information for EPA were specifically approved by EPA in the EPA Form 5700-1B Budget and should be allowed. EPA Audit services are allowable as they are associated with procurement requirements of 40 CFR 35.940-1(s). The grantee contends that the change order work was clearly designed as an additional engineering service in the four engineering agreements.

Auditor Response: We continue to question all of these costs. Costs associated with addressing Rules and Regulations and providing Miscellaneous Information to EPA are ineligible per VII-6 of the Handbook of Procedures. We cannot determine how 40 CFR 35.940-1(5) relates to EPA audit services and our review of the engineering agreements does not reveal that change order work is separately designated.

Other Architectural Engineering Fees (Note 3) (Continued)

- c) A rounding error of \$709 occurred.

Grantee Comment: They agree with audit report.

Auditor Response: The cost should be disallowed.

- d) We set aside \$2,095 for specification and drawing credits.

Grantee Comment: They agree with audit report.

Auditor Response: We have modified our report by including these costs in questioned amounts.

- e) Fees of \$1,908 for redesign and relocation services were set aside.

Grantee Comment: Cost was approved on Part B submittal and therefore should be allowable.

Auditor Response: Without documentation that the work was the result of a change in a Federal regulation, we must set aside the cost per VII-8 of the Handbook of Procedures.

In addition, costs were questioned due to pro-ration.

Grantee Comment: The cost for services involving Facilities Plan, O & M Manual and I & I Analysis should not be pro-rated but accepted at 100%.

Auditor Response: We agree with the grantee and have modified our pro-ration calculation accordingly.

Project Inspection Fees (Note 4)

- a & b) We questioned fees incurred after the approved construction completion date of July 12, 1980 and the difference between fees calculated based on the original engineering agreement and those billed under amended agreements which increased the per diem rates.

Grantee Comment: As discussed in Note 3, the grantee disagrees with the application of older per diem rates to current invoices. For costs incurred after the approved construction completion date, they propose that only \$42,853 in costs should be questioned. They disagree with our report amounts in that we included all of the ineligible time, an invoice was added twice, and eligible time for July 1st through 12th was included.

In addition, they feel that the recalculation shown in the audit report inconsistently used some rates from 1971 and others from 1977.

Auditor Response: We continue to question \$209,580 in costs because:

- Without an increase in proposal services to substantiate an increase in per diem fees, we must recalculate the engineer's invoices.
- We have reduced the total invoice amount shown on the report from \$53,983 to \$51,716 but this does not affect the questioned cost.
- We must continue to use July 12, 1980 as our cut-off date until such time that disputed change orders are approved for participation.
- Without supporting documentation, no adjustment can be made for hours between July 1-12, 1980.
- Anytime a recalculation is required, the person making the recalculation must make assumptions and base the calculations on information available. Since the grantee disagrees with the entire concept of recalculation, any calculation method used would be subject to question. Our recalculation remains unchanged pending EPA's review of the amended engineering agreements.

Project Inspection Fees (Note 4) (Continued)

- c) A rounding error of \$34 occurred.

Grantee Comment: They agree with audit report.

Auditor Response: The cost should be disallowed.

In addition, costs were questioned due to pro-ration.

Grantee Comment: Eligible and ineligible time was separated on the time cards with only the eligible hours claimed. Therefore, the cost should not be subject to the pro-ration factor.

Auditor Response: We have modified our report and have now accepted the cost at 100%.

Construction Costs (Note 5)

- a) We questioned \$267,405 under contract alternate number one for change order costs claimed which were only approved for content only, not for Federal participation.

Grantee Comment: All change orders approved for content only were appealed for a variety of reasons. DER's decisions were arbitrary, contained mathematical errors, and should be completely reviewed by EPA. An incorrect amount was used for change order #23. Only the costs questioned on change orders 19 and 20 should be questioned pending the outcome of current appeals.

Auditor Response: We have corrected our report to include the correct amount for change order #23 which results in an increase in questioned costs. All of the costs remain questioned because they were approved only for content.

- b) We questioned \$12,934 under contract 5B for change orders approved for content only and one change order claimed in its entirety but only partially approved.

Grantee Comment: They only agree that \$6,853 should be questioned. One change order approval had a \$66 error by DER and they disagree with the other approval.

Auditor Response: We must continue to question the costs.

- c) Retainage never paid on contract 5B was questioned.

Grantee Comment: They agree with audit report.

Auditor Response: The cost should be disallowed.

- d) A rounding error of \$6 occurred.

Grantee Comment: They agree with audit report.

Auditor Response: The cost should be disallowed.

GRANTEE COMMENTS

ARROWOOD, INCORPORATED

ENGINEERING — SURVEYING

P. O. BOX 433

CHAMBERSBURG, PENNSYLVANIA 17201

PHONE 263-8794

Sewerage, Drainage, Sewage
& Industrial Wastes Treatment
Water Supply & Water Treatment
Refuse Disposal
Reports & Appraisal

Planning & Zoning
Roads & Streets
Municipal Engineering
Surveying & Estimating

July 22, 1983


Mr. P. Ronald Gandolfo
Divisional Inspector General for Audits
U.S. Environmental Protection Agency
Region III
6th & Walnut Streets
Philadelphia, PA 19106

Re: Reply to Draft Report Final Audit
Construction Grant
C-420916-01
Hamilton Township Municipal Authority

Dear Mr. Gandolfo:

This letter is to confirm a telephone conversation held on July 22, 1983. The reply submitted to your office was incorrectly collated, and thus the page numbers are also incorrect. The corrections are as follows: Page numbers 6, 7, 10, 11, 8, 9 and 5 should be rearranged and renumbered to be 5, 6, 7, 8, 9, 10 and 11 respectively. Enclosed is a corrected copy. Thank you for your consideration in this matter.

Very Truly Yours
ARROWOOD, INCORPORATED


Laurie D. Greene
LDG/pb

JUL 25 1983

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant No. C-420916-01
Grantee Comments
FINAL AUDIT

EPA Eligible Costs

	<u>Claimed</u>	<u>Accepted Questioned</u>	<u>Revised Claimed</u>	<u>Note</u>
Administrative	\$ 121,700	\$ 63,339	\$ 58,361	1
Legal & fiscal	17,800	(2,479)	20,279	2
Architectural engi- neering basic fees	296,500	---	296,500	
Other architectural engineering fees	194,600	35,543	159,057	3
Project inspection fees	343,500	42,887	300,613	4
Construction	<u>5,876,500</u>	<u>234,641</u>	<u>5,641,859</u>	5
	\$6,850,600	\$373,931	\$6,476,669	

Determination of Amount
Due EPA

Federal participation (75%)	<u>\$4,841,020</u>	<u>\$4,857,502</u>
Less:		
EPA payments		<u>4,841,020</u>
Balance due HTMA		<u>\$ 16,482</u>

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant No. C-420916-01
Grantee Comments
FINAL AUDIT

Also, as the auditors have been informed, one employee, Walter C. Nickles, had been directly engaged with inspection of the pumping station construction. The use of this employee, as an inspector, was more economical for the Authority, than to require the Consulting Engineers to hire an additional inspector. Itemizing Mr. Nickles' salary, mileage allowance and insurance costs from the original claim, the total cost is \$12,513. This time associated with project related work is less than \$25,000 and thus prior approval is not necessary for the use of a force account, as per the Handbook, Chapter VII-26.

The questioned costs agreed to are those associated with operating costs, the inspector's ineligible time, and the manager's time involved with normal Authority duties.

Auditor's questioned costs	\$73,024	
Less: Force Account	12,513	
Start-up Costs	<u>8,381</u>	
Accepted Questioned Costs	\$52,130	\$52,130
e. We will accept the auditor's opinion of the \$13 cost arising from rounding to the nearest hundred on Form 271.		<u>\$ 13</u>
Accepted Questioned Costs, Administrative		<u>\$55,508</u>

The ratio which the construction project was pro-rated must be re-calculated to reflect the adjustments in this rebuttal. The denominator is altered to reflect the \$2,950 of amounts never paid, referred to in Note 5(c).

<u>Construction Costs Accepted</u>	<u>\$5,641,859</u>	=	.8817
Total Construction Costs Incurred	\$6,399,201	=	

The revised amount of accepted Administrative costs would be calculated as follows:

Original Administrative Costs Claimed	\$121,700
Less: Accepted Questioned Costs	<u>55,508</u>
Total Costs Accepted	\$ 66,192
Pro-ration Factor	<u>.8817</u>
Revised Accepted Costs	<u>\$ 58,361</u>

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant No. C-420916-01
Grantee Comments
FINAL AUDIT

Note 2. Legal and Fiscal Cost

a. & b.

Included in the EPA Final Audit Data were copies of the "Breakdown of Legal Fees and/or Charges" for the two solicitors and the bond counsel for this project. The solicitors' eligible sections of these forms include costs associated with the Cashtown Sewage Treatment Plant, formerly an eligible portion of the project. These costs were removed in an explanation included on the second page of the Breakdowns, however, Mr. Kiersz's eligible cost, \$5,250, only included the amount paid at the time of the audit package. The additional \$5,250 was mistakenly omitted at the time the later costs were included in the supplement claim. The original claim was distributed as follows:

Mr. Roy S.F. Angle	\$10,500
Mr. Gregory L. Kiersz	5,250
Rhoads, Sinon & Hendershot	<u>2,000</u>
	\$17,750
Rounding to the nearest	
hundred	<u>50</u>
	\$17,800

\$ 50

Questioned Costs, Legal & Fiscal

\$ 50

Thus, the \$2,500 referred to by the auditors for costs incurred with meeting specific statutory requirements was not included in the original claim.

At this time, we request to amend the previous claim to adjust for the omission as follows:

Original Legal & Fiscal Costs Claimed	\$17,800
Additional Claim	5,250
Less: Accepted Questioned Costs	<u>50</u>
Total Costs Accepted	\$23,000
Pro-ration Factor	<u>.8817</u>
Revised Accepted Costs	<u>\$20,279</u>

HAMILTON TOWNSHIP MUNICIPAL AUTHORITY
Chambersburg, Pennsylvania
Grant No. C-420916-01
Grantee Comments
FINAL AUDIT

Change Order Number	Questioned Cost	Accepted Questioned Cost	
5	\$ 2,915	\$ ---	
7	8,296	---	
9	5,833	---	
15	2,101	---	
16	488	---	
19	159,927	159,927*	
20	58,917	64,905*	
22	6,833	---	
23	22,095	---	\$224,832

* Accepted pending outcome of appeals.

- b. See Note 5.a. The ineligibility of Change Order No. 11 is acknowledged due to the fact that this work was performed to facilitate future development. The approval letter for Change Order No. 12 lists an incorrect amount due to a PA D.E.R. mathematical or typographical error.

Change Order Number	Questioned Cost	Accepted Questioned Cost	
11	\$ 6,853	\$ 6,853	
12	66	---	
18	6,015	---	\$ 6,853

- c. Questioned cost acknowledged and accepted. The action involving the amount in question had not yet been performed at the time of Final Audit Data compilation completion.

Questioned Cost	Accepted Questioned Cost	
\$ 2,950	\$ 2,950	\$ 2,950

- d. Questioned cost accepted. This "error" is a result of rounding to the nearest \$100 on Form 271 per instructions.

Questioned Cost	Accepted Questioned Cost	
\$ 6	\$ 6	\$ 6

Total Accepted Questioned Costs

\$234,641